



Fire Department Overtime Audit Report

Issued by the
Internal Audit Office
May 23, 2006

EXECUTIVE SUMMARY

The Internal Audit Office has concluded its audit of the Overtime Procedures at the City of El Paso's Fire Department. The Internal Audit Office has identified the Fire Department's Overtime Procedures as a high-risk area in its Annual Audit Plan. Based on the results of this audit, seven findings were identified to indicate improvement is needed in the management oversight of the overtime process within the Fire Department. Five of the findings are considered significant in nature and two are classified as less significant. Listed below is a summary of the seven findings identified in this report.

1. Layering of overtime benefits is occurring due to the complexity of the overtime process as employees may work mandatory, extra board (voluntary overtime) and incidental overtime as well as be eligible to earn incentive or FLSA overtime.
2. As a result of the layering of overtime benefits, the Fire Fighter's Collective Bargaining Agreement is complex and may be subject to interpretations that impact the overall overtime expense.
3. There is duplication of effort in the processing of overtime by the Fire Department as two time management systems are being used; FMIS (which includes the FIRNOT and FIRLOG Modules) and KRONOS (City of El Paso's official time management system). In addition, there were six out of 22 (27.2%) instances where overtime was not paid to certain firefighters.
4. Based on a review of 17 out of 22 employee's payrolls records (77.2%) revealed there was no documentation to support the overtime incurred.
5. A review of 22 employees, who worked Extra Board (voluntary overtime) for the month of March 2006, indicated that 13 out of 22 employees (59%) did not have the correct "Date Last Worked" listed.
 - Twelve were not updated accordingly in the Extra Board List.
 - One employee did not provide the correct date.
 - In addition, three employees (13.6%) were not next in line for Extra Board assignment.
6. There are two classifications of Fire Fighters, 40-hour and 56-hour employees. Currently overtime is computed for both 40 and 56 hour Fire Fighters. Overtime pay is computed differently for both using different overtime pay rates and pay codes.
7. The use of vacation and sick leave is considered productive time, while FLSA states that overtime should be paid for hours worked in excess of the prescribed work schedule.

For a detailed explanation of the findings please refer to the appropriate finding contained in the body of this audit report.

**City of El Paso, Texas
Internal Audit Office
Fire Department Overtime**

BACKGROUND

The City of El Paso Internal Audit Office has identified the Fire Department's Overtime Procedures as a high-risk area in its Annual Audit Plan. Overtime over the last three years was increasing and peaked in fiscal year 2005. During this fiscal year overtime has decreased, however, as of May 23, 2006 the amount was over the \$2,000,000 dollar range. Cumulative overtime for the following fiscal years has reached \$15,789,278.

Fiscal Year	Amount
2003	\$4,322,370
2004	4,504,925
2005	4,739,923
2006 YTD	2,222,760
Cumulative	\$15,789,978

The El Paso Fire Department is a full-service fire department that responds to all calls involving fires, medical emergencies, and hazardous materials events in the City of El Paso. Specialized teams respond to water, mountain, and technical rescues, and many other types of emergency events. The Fire Department responds to over 63,000 emergency calls annually. The department provides mutual aid to Fort Bliss Military Base and the County of El Paso under the terms of the Mutual Aid Agreements. When an emergency event occurs, it is the role of the Fire Department to arrive on the scene as quickly and safely as possible in order to provide assistance and mitigate the emergency. The Fire Department was recently rated an ISO Class 1 department showing the dedication, training, equipment, and progress they have made to ensure the citizens of El Paso have the best department possible.

The El Paso Fire Department currently has several divisions to include: Aircraft Rescue & Firefighting, Communications, Emergency Management, Fire Prevention, Maintenance, Medical, Operations, Planning, Safety, Special Operations, and the Training Academy. The basic mission of the Fire Department is to prevent or minimize the loss of life and property loss from the effects of fire or other emergencies and to render such public assistance as may be determined by the Fire Chief or higher authority. This mission encompasses the following activities: fire suppression and extinguishment, rescue, life support, hazardous conditions mitigation, and public assistance.

SCOPE

We performed a limited scope audit of the Fire Department Overtime process. The purpose of this limited scope audit was to determine if the Fire Department's policies and procedures are adequate to ensure an efficient and effective administration of the Fire Department overtime process. The audit objectives were to ascertain if procedures are currently being utilized in the administration of Fire Department Overtime that are consistent with required manning needs and proper authorization. The audit also documented areas where inefficiencies exist and where internal controls may be strengthened or improved. The audit addressed the following areas:

1. Obtained an understanding of the Fire Department Overtime process.
2. Determined if proper controls exist in the granting of Fire Department Overtime.
3. Ascertained and documented the amount of overtime expenditures based on Fire Department areas and also by Fire Department titles.
4. Reviewed the monitoring controls in place to determine if management is adequately monitoring the overtime expenditures and the overtime process.
5. Selected a sample month and conducted analytical review procedures to determine the accuracy of the amounts reported in PeopleSoft. On a sample basis traced selected amounts to the general ledger.
6. Determined if the Fire Department Management is operating in a control conscious environment as it relates to Fire Department Overtime. We characterize a control conscious environment as having the following:
 - An adequate level of internal control awareness.
 - Proper separation of duties.
 - Existence of a proper monitoring system.
 - Appropriate authorization/approval of expenditures.
 - Adequate safeguarding of financial, physical, and information assets.

The audit period covered was from September 1, 2005 to May 23, 2006.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

***SIGNIFICANT FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT’S RESPONSES***

The definition of a significant finding is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, a violation of a City policy and/or procedure, or a violation of a law and/or regulation that the City is required to follow. Any finding not meeting these criteria will be classified as an “Other Finding”.

Finding 1

Overtime Layering

Layering of overtime benefits is occurring due to the complexity of the overtime process as employees may work mandatory, extra board (voluntary overtime), incidental overtime, and can be eligible to earn incentive, or FLSA overtime.

Recommendation

Management should analyze the various components of the Collective Bargaining Agreement to determine the most effective and efficient method of overtime use.

Management’s Response

Fire Department’s management acknowledges the layering of overtime and the subsequent adverse effects this has had in regards to overtime. The Fire Chief and the City’s bargaining team are currently addressing these issues in the Collective Bargaining negotiations with the Firefighter’s Association, Local 51.

Responsible Party

Fire Chief Roberto Rivera

Implementation Date

Upon ratification of the Collective Bargaining Agreement.

Finding 2

Collective Bargaining Agreement (CBA)

Due to the layering of overtime benefits the CBA is complex and some of its provisions are vague and may be subject to interpretations, which provide a higher level of overtime benefits than required by the minimum standards set by the Fair Labor Standards Act (FLSA).

Recommendation

Management needs to analyze and compare the CBA overtime provisions to the FLSA standards to determine the minimum requirements prescribed by the FLSA.

Management's Response

Management acknowledges the need to standardize the manner in which overtime is paid. This item is being addressed in the Collective Bargaining Agreement negotiations.

Responsible Party

Fire Chief Roberto Rivera

Implementation Date

Upon ratification of the Collective Bargaining Agreement.

Finding 3

Overtime Process

There is a duplication of effort in processing overtime by the Fire Department as two payroll processing systems are being used, KRONOS and FMIS. A sample of 22 employees who worked and received overtime pay from 2/19/2006 to 3/18/2006 was reviewed:

- Overtime hours of two out of 22 employees (9%) was not properly coded. Both employees worked Extra Board (voluntary) Overtime (EBP), but it was coded as Regular Overtime (OTP).
 - One employee had 23.75 EBP hours worked on 3/11/2006 but these hours were coded as OTP.
 - Another employee had 23.25 EBP hours worked on 3/11/2006 but these hours were coded OTP.
- Overtime pay for six out of 22 employees (27.2%) was not paid. A review of timecards in KRONOS identified that five employees were transferred to another division to work overtime and paycheck data in PeopleSoft HR shows they were not paid for them.
 - The first employee was transferred to work at the Communications Division for 13.20 hours of OTP and was not paid for them.
 - The second employee was transferred to work at the Emergency Division for 23.75 hours of EBP and was not paid for them.
 - The third employee was transferred to work at the Communications Division for 26 hours of FOT and was not paid for them.
 - The fourth employee was transferred to work at the Communications Division for 26 hours of FOT and was not paid for them.
 - The fifth employee was transferred to work at the Emergency Division for 23.58 hours of EBP and was not paid for them.
 - The sixth employee had 16 hours of overtime (OTP), which was not calculated correctly and was paid \$443.85 instead of \$458.50. A difference of \$14.65.

Recommendation

Management should require that KRONOS be the database of record. Keeping in mind that KRONOS has the ability to update its database via the internet.

Management's Response

Fire Department Management acknowledges the complexity of the Fire payroll system and the need for a single personnel accountability timecard system. While affirming the value of KRONOS to perform this function, the software does not perform the ancillary functions that FIRLOG performs. An example is the ability to interface with the Computer Aided Dispatch (CAD) software that assigns and tracks resources that respond to 911 emergencies. This interface is important as it definitively logs (as a matter of record), the individuals that were on duty and assigned to that apparatus on that incident. Human Resources is aware of this requirement and is actively working on a solution. The Fire Department has not had the infrastructure to support KRONOS. Plans are being developed to install High-speed intranet (T-1) lines to all 36 fire facilities. Fire Management is also working with its supervisors to accurately and timely enter the required information in the system. The lack of entries or late entries (while due to the dynamics of our operations), may be rectified with diligent tracking and documentation from supervisors. This action will eliminate the need for retroactive reports for pay from our Payroll Section. The Department is already addressing this item.

Responsible Party

Assistant Fire Chief Manuel Chavira

Implementation Date

The Log-ins issue is currently being addressed as supervisors are being reprimanded for lack of entries or incorrect entries. Implemented June 1, 2006.

Human Resources and Information Technology are currently addressing the KRONOS issues.

Finding 4

Overtime Documentation and Authorization

Overtime documentation was not available for 17 out of 22 employees (77.2%) who worked overtime from 2/19/2006 to 3/18/2006. Consequently, overtime authorization could not be verified.

Recommendation

Management should monitor and ensure that overtime authorization is documented in accordance with a strong system of internal controls and best practices.

Management's Response

Fire Department Management acknowledges the lack of the approver's name in the FMIS module FIRNOT which documents as a daily log the names, times, and reasons for an individual working on overtime. Much of this overtime was due to incidental reasons such as awaiting relief from the oncoming shift. Details of this nature were shared implicitly with the audit team. The Department has documentation showing the individual's names working the overtime, which is forthright, and thus, the approver's name can be easily deduced through our daily staffing charts. Our discussions with the Audit Team directed our attention to the need to include the approver's name on every incident and are currently being addressed with all supervisors.

Responsible Party

Assistant Fire Chief Steven Surface

Implementation Date

This procedure already exists in our Station Operations Manual in Section 5.7 "Overtime". Supervisors shall be held accountable immediately for incorrect entries or entries that deviate from the established procedure.

Finding 5

Extra Board (Voluntary Overtime)

A review of 22 employees who worked Extra Board (voluntary overtime) for the month of March 2006 indicated that 13 out of 22 employees (59%) did not have the correct "Date Last Worked" listed. This was the result of twelve employee's entries, which were not updated correctly on the Extra Board List, and one employee did not provide the correct date. In addition, three employees (13.6%) were not next in line for Extra Board hiring:

- A lieutenant (LT) from Battalion 3 with a date last worked of 12/21/2005 on the Extra Board List of 3/11/2006, logged in to work Extra Board at Company P23 (Battalion 5). But the Battalion 5 Extra Board List of 3/11/2006 had another LT listed with date last worked of 12/11/2005. The second LT was not called or assigned to work Extra Board.
- A fire suppression technician (FST) from Battalion 3 worked Extra Board on 3/11/2006 (this FST was hired in 1997). It was also noted that Battalion 3 had another FST who had worked Extra Board on 3/11/2006 as well (this FST was hired in 1994). Both FST's signed up to work Extra Board on 3/12/06 the latter FST was the next in line to be assigned and was not.
- A fire fighter (FF) from the Airport Rescue Fire Fighting Unit (ARFF) worked Extra Board on 3/11/2006. The same FF requested and received Extra Board for 3/12/2006. It was also noted that for this date the Extra Board list for Battalion 3/ARFF had six other FF's who were first in line for assignment, but were not called or assigned.

Recommendation

Management should consider implementation of an automated system to increase the efficiency and effectiveness of the current Extra Board System, which is currently a manual process. In addition, the Fire Department needs to ensure that employees hired from the Extra Board List are in fact employees who have the oldest "Date Last Worked" in accordance with the contract and Extra Board policies and procedures.

**City of El Paso, Texas
Internal Audit Office
Fire Department Overtime**

Management's Response

Fire Department acknowledges the need for an automated system to increase the efficiency and effectiveness of the current Extra Board System. There are programs on the market that address these issues but are cost prohibitive and become less of a priority based on other departmental needs. The program would not drive cost or reduce overtime, but would simply provide a more efficient means to track our hiring procedures.

Responsible Party

Assistant Fire Chief Steven Surface

Implementation Date

Any software upgrades or purchases by the City that may enhance our abilities to automate this procedure will be welcomed.

Chief Internal Auditor's Response

The Fire Department is assuming a risk in not revising its current Extra Board hiring practices. Extra Board is currently being paid at a higher rate than the normal hourly rate, thus increasing their overtime cost. The current practice of hiring from the Extra Board List provides an opportunity to Firefighters to earn wages above their current hourly wage.

The alternative software programs mentioned in the response need to be identified and referred to the Deputy City Manager for Financial and Administrative Services for consideration.

*OTHER FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES*

Finding 6

Fire Fighter Classification

Fire fighters are classified as 56-hour (Emergency Operations) or 40-hour (Emergency Operations or Support) employees depending on their assigned duty. Overtime pay is computed differently using different overtime pay rates and pay codes.

Recommendation

Management should determine whether to use either the 40-hour or 56-hour format as the predominant model.

Management's Response

Fire Department Management acknowledges this point implicitly and is currently addressing these issues through the Collective Bargaining Agreement negotiations. A single method of payment would be the optimum solution.

Responsible Party

Fire Chief Roberto Rivera

Implementation Date

Upon ratification of the Collective Bargaining Agreement.

Finding 7

Leave Hours Used as Productive Time

Paid leave such as vacation, sick leave, and holiday leave is considered productive time and is counted as hours worked in the computation of overtime hours. A sample of 22 employees who worked and received overtime pay from 2/19/2006 to 3/18/2006 was reviewed. Overtime of six out of 22 (27.2%) employees was calculated using holiday taken, vacation, and sick leave as productive or hours worked.

Recommendation

Management should analyze the Collective Bargaining Agreement to determine that any leave, such as vacation, sick leave, and holidays are used in accordance with FLSA minimum requirements.

Management's Response

Fire Department Management acknowledges this point and is currently addressing the issue through the Collective Bargaining Agreement negotiations.

Responsible Party

Fire Chief Roberto Rivera

Implementation Date

Upon ratification of the Collective Bargaining Agreement.

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

Overtime in the Fire Department is inherent to the Collective Bargaining Agreement. Overtime cannot be completely eliminated as operational pressures create instances where overtime is necessary. Although the Fire Department's overtime has decreased during the current fiscal year, management can strengthen the overall management of overtime by:

- Maintaining only one Time Management System, KRONOS, which is the official Time Management System for the City of El Paso.
- Considering new automation methodologies to reduce overtime to an acceptable level.
- Reviewing and analyzing current overtime procedures in order to improve efficiencies yet comply with the Collective Bargaining Agreement.

We wish to thank the Fire Department's management and staff for their assistance and numerous courtesies extended during this audit.

Signature on File

Edmundo S. Calderon, CIA, CGAP
Chief Internal Auditor

Signature on File

Cesar L. Martinez, CIA, CGAP
Audit Manager

Distribution:

Fiscal Affairs and Internal Audit Legislative Review Committee

Joyce Wilson, City Manager

William F. Studer, Jr., Deputy City Manager – Financial & Administrative Services

Roberto Rivera, Fire Chief